

Covid-19 Government Measures in Turkey

Tax regulations in the package announced by the President to reduce the impacts of Covid-19 outbreak.

Turkish President Recep Tayyip Erdoğan announced that a set of resources totalling TL 100 billion has been put in place to reduce the impacts of Covid-19 outbreak with a package called "Economic Stability Shield", following the "Coronavirus Coordination Meeting" dated 18 March 2020. Amendments to the tax legislation within the text of the speech are as indicated below:

1. April, May and June payments of the withholding, VAT withholding and Social Security Institution (SSI) premiums will be postponed for 6 months for retail, shopping mall, iron-steel, automotive, logistics-transportation, cinema-theater, accommodation, food-beverage, textile-garment and event-organization sectors.
2. Accommodation tax will not be applied until November. (the relevant tax would start to apply as of 1 April. Rate; 1% until 31.12.2020, and then it is 2%.)
3. In domestic air transportation, the VAT rate will be reduced from 18 percent to 1 percent for 3 months.
4. The period of withholding tax return containing the payments of deductions made at the source will be delayed for 3 months.

Statement made on the activities of taxpayers whose withholding and VAT payments to be postponed for 6 months.

Through the announcement released on the official website of Revenue Administration (www.gib.gov.tr) on 19 March 2020, it's stated that the required work is being conducted regarding the deferral of withholding and value added tax payments that should be made for April, May and June by 6 months for the taxpayers directly impacted by the Covid-19 outbreak.

In the relevant announcement, the fields of activity of the taxpayers whose payments were postponed for 6 months are outlined. The concerning fields are retail, shopping mall, iron-steel, automotive, logistics-transportation, cinema-theater, accommodation, food-beverage, textile-garment and event-organization sectors.

The submission and payment periods of VAT returns; submission period of Ba, Bs forms and e-ledger certificate uploading period extended.

Through the Tax Procedures Law Circular no.126 released at the Revenue Administration's (GİB) website (www.gib.gov.tr) on 23 March 2020;

- Submission period for VAT returns required until 26 March 2020 and the payment periods of the taxes accrued on the tax return have been extended until the end of 24 April 2020, Friday.
- Submission period of Ba, Bs forms for February/2020 required until the end of 31 March

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2020; the creating and sealing period of electronic ledgers and uploading period of e-ledger certificates that should be loaded into the GİB Electronic Data Processing System within the same time has been extended until the end of 30 April 2020, Thursday.

Benefitting of taxpayers affected by coronavirus (COVID-19) outbreak from force majeure provisions.

Explanations were made on certain taxpayers' benefitting from the force majeure provisions through the Tax Procedure Law General Communique series no.518 published in the Official Gazette dated 24 March 2020.

With the Communique, in addition to taxpayers with income tax obligations in terms of commercial, agricultural and professional income, in the acceptance of being under the status of force majeure; it is considered sufficient for taxpayers to operate in the sectors listed in the Communique by their main field of activity.

The main activity code in the tax office records as of 24 March 2020 will be taken into consideration in determining the taxpayers' main field of activity. However, if the taxpayer's main activity code in the tax office records does not exist among the identified sectors, if it is proved and authenticated that they are actually engaged in any of these sectors as main field of activity, the field of activity that the taxpayer is actually engaged in will be considered as the main field of activity so as to assess the taxpayer within the coverage of force majeure.

Also, taxpayers engaged in a field of activity other than the sectors listed in the Communique may also clarify their situation by applying to the tax offices they are affiliated to take advantage of the force majeure provisions.

Query screen for the status to benefit from force majeure provisions added to the Interactive Tax Office.

Announcement has been made on the use of force majeure provisions by certain taxpayers, through the Tax Procedure Law General Communique series no. 518, published in the Official Gazette dated 24 March 2020.

Regarding taxpayers' in the sectors announced by the Communique main field of activity in the tax office records as of 24.3.2020 will be taken as basis, benefitting of the taxpayers with uncertain field of activity and who have activities other than these sectors from force majeure provisions.

In order to determine the main activity code specified in the Communique and therefore the status of taxpayers to benefit from the force majeure provisions, "Force Majeure Status Inquiry within the scope of VUK General Communique series no.518" under the "My Information" tab has been added into the Interactive Tax Office.

With this query screen, taxpayers can follow the status of benefitting from the force majeure provisions and those who have a negative status may apply to the tax office they are affiliated to as explained in our Circular no.45.

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Partial value added tax withholding for taxpayers benefiting from force majeure situation.

The Value Added Tax General Implementation Communique contains regulation indicating that the taxpayers within the scope of force majeure have no obligation to make partial VAT withholding during force majeure.

Taxpayers listed in the Tax Procedure Law General Communique series no.518 will not make partial VAT withholdings between 1 April 2020 and 30 June 2020 (including these dates) when the force majeure situation is effective.

Export periods of the goods delivered within the scope of deferment-cancellation scheme extended.

Export periods of the goods delivered within the scope of deferment cancellation scheme has been extended through the VAT circular no.68 published on the website of the Revenue Administration (GIB) on 31 March 2020.

Accordingly, for the taxpayers concerned with the period of 1 April 2020 and 30 June 2020 (including these dates) as the end of the three-month period starting from the beginning of the month following the date on which the delivery on re-export basis is made, this period will be deemed extended for another 3 months within the scope of force majeure without applying to the tax office for an additional period.

Although the export period expires before the specified period, the taxpayers whose 15-day application period related to the request for additional time to realize the export corresponds to the aforementioned time will be evaluated within the same scope.

Deduction of donations and aids to the campaign launched by the President for Covid-19 outbreak from income and corporate tax bases.

The President of Turkey has launched an aid campaign in his "State of the Union" speech dated 30 March 2020.

Article 10 of the Corporate Tax Law and Article 89 of the Income Tax Law contain provisions indicating that all the in-kind and cash donations to the aid campaigns initiated by the President made against receipt can be deducted from the corporate income/declared income.

Although the President stated in his speech on 30 March that he had initiated an aid campaign, any presidential decision was not published in the Official Gazette as of the date of our circular. In previous similar implementations, for example in the aid campaign for the Elazig earthquake, a presidential decision was issued regarding the launch of the campaign.

Although the relevant provisions in CTL and ITL do not include formal conditions for the launch of the campaign (as a Decision should be published), considering the previous practices, an expectation has appeared for the publication of a presidential decision regarding this campaign. If such a decision is published, it will be announced to you, as well.

Implementation of “Withholding and Premium Service Return” postponed to 1 July 2020 for the taxpayers outside the pilot provinces.

The procedure and principles concerning the submission of withholding tax return and monthly premium and service document that is required to be submitted to SSI by those who are obliged to notify the persons who are deemed to be insured under article 4/a of the Social Security and General Health Insurance Law as a combined single return called "Withholding and Premium Service Return" had been identified through the General Communique for "Withholding and Premium Service Return" series no.1 published in the Official Gazette dated 18 February 2017.

The requirement regarding the combined returns had started as of 1 June 2017 for the taxpayers/employers resident in Kırşehir province and districts and as of 1 January 2018 for the taxpayers/employers resident in Amasya, Bartın and Çankırı provinces and districts; 1 January 2020 for the taxpayers/employers resident in Bursa, Eskişehir and Konya provinces and districts.

It has been indicated in the Communique series no.8 published in the Official Gazette dated 4 April 2020 that the starting date of the implementation for the taxpayers/employers excluding the above has been deferred from 1 March 2020 to 1 July 2020

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